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FISCAL IMPACT STATEMENT

LS 6951

BILL NUMBER: HB 1156

NOTE PREPARED: Dec 26, 2004

BILL AMENDED:

SUBJECT: Property Tax Abatement.

FIRST AUTHOR: Rep. Saunders

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a county that contains part of an interstate highway (and any city or town located in such a county) may grant tax abatements for logistical distribution equipment and information technology equipment. (Current law concerning these abatements applies only to counties containing a specified part of Interstate Highway 69.)

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, new manufacturing equipment and new research and development equipment may qualify for property tax abatements. The abatements are available for up to ten years.

This bill would allow abatements for new “logistical distribution equipment” and new “information technology (IT) equipment” if installed before January 1, 2006, in an economic revitalization area of a county containing an interstate highway. Current law concerning these abatements applies only to counties containing a specified part of Interstate Highway 69.

Logistical distribution equipment would consist of racks, scanners, separators, conveyors, forklifts, moving equipment, packaging equipment, sorting and picking equipment, and software.

IT equipment would include equipment and software used in the fields of information processing, office automation, telecommunication facilities and networks, informatics, network administration, software development, and fiber optics.

If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements (ERAs) could also cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision.

Background: The following are the personal property tax abatements for the last 10 years.

<u>Year</u>	<u>Personal Property Tax Abatements</u>
1994	\$54,579,109
1995	44,913,061
1996	66,760,681
1997	49,280,601
1998	43,532,906
1999	49,989,013
2000	70,955,197
2001	94,062,035
2002	102,594,325
2003	154,181,896

State Agencies Affected: Department of Natural Resources; Fair Board.

Local Agencies Affected: County auditors.

Information Sources: Local Government Database.

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